

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CITY OF WARSAW
KOSCIUSKO COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	M. Elaine Call	01-01-04 to 12-31-11
Mayor	Ernest B. Wiggins	01-01-04 to 12-31-11
President of the Common Council	Jerry Patterson	01-01-07 to 12-31-07
	Joseph M. Thallemer	01-01-08 to 12-31-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF WARSAW, KOSCIUSKO COUNTY, INDIANA

We have examined the financial information presented herein of the City of Warsaw (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 25, 2008

CITY OF WARSAW
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 5,531,559	\$ 11,087,893	\$ 10,418,297	\$ 6,201,155
Motor Vehicle Highway	533,534	481,097	420,432	594,199
Local Road and Street	146,327	124,505	200,000	70,832
Parks and Recreation	653,060	1,812,557	1,772,397	693,220
Law Enforcement Continuing Education	15,996	16,585	6,294	26,287
Riverboat	187,027	78,286	202,213	63,100
Rainy Day	57,881	71,396	10,000	119,277
Donation	50,636	69,013	82,341	37,308
Cumulative Capital Improvement	113,408	43,606	12,000	145,014
Cumulative Capital Development	850,971	381,208	234,721	997,458
CEDIT	-	794,755	759,000	35,755
Unsafe Building	10,980	560	7,500	4,040
Park Operational Non Reverting	12,751	12,359	10,690	14,420
Park Capital Outlay Non Reverting	45,934	11,280	-	57,214
Cemetery Permanent and Perpetual Care	1,090,322	111,155	52,083	1,149,394
Aviation Depreciation	193,692	59,591	67,600	185,683
Aviation	928,050	572,924	524,921	976,053
Redevelopment District General	37,635	55,815	27,455	65,995
Grants	24,638	247,874	268,399	4,113
Redevelopment Allocation	605,690	258,016	134,518	729,188
Redevelopment Bond and Interest	-	134,518	134,518	-
Cemetery	223,841	460,313	443,031	241,123
Cumulative Fire	825,125	190,949	150,825	865,249
General Bond	112,430	301,618	298,781	115,267
Redevelopment Northern TIF Allocation	1,081,470	1,203,870	1,007,733	1,277,607
Aviation Fuel Trust	87,199	3,287,369	3,255,764	118,804
Redevelopment TIF Winona Interurban	669	703	-	1,372
Housing Revolving Loan	165,007	11,674	56,693	119,988
Proprietary Funds:				
Wastewater Operating	3,294,928	10,247,455	9,566,257	3,976,126
Wastewater Depreciation	39,056	200,000	159,126	79,930
Wastewater Construction	3,218	163	1,202	2,179
Wastewater Cash Reserve	12,000	262,155	143,077	131,078
Wastewater 2003 Bond and Interest	10,014	1,064,681	1,057,114	17,581
Wastewater 2003 Bond Sinking	993,984	53,765	-	1,047,749
Wastewater Lease Bond 2005 Sinking	587,250	-	-	587,250
Wastewater Lease Bond 2005 Payment	-	863,000	863,000	-
Employee Benefit Trust	36,785	3,128,198	3,008,082	156,901
Self Insurance	63,659	1,984,284	1,985,241	62,702
Fiduciary Funds:				
Police Pension	740,671	333,445	364,684	709,432
Fire Pension	600,380	258,811	261,885	597,306
Payroll	106,787	7,803,835	7,794,403	116,219
Tax	161	3,701	3,732	130
Park Security Deposit	681	21,225	21,059	847
Totals	<u>\$ 20,075,406</u>	<u>\$ 48,106,207</u>	<u>\$ 45,787,068</u>	<u>\$ 22,394,545</u>

The accompanying notes are an integral part of the financial information.

CITY OF WARSAW
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, urban redevelopment and housing, and wastewater treatment.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF WARSAW
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Events

During July 2008, the City sold \$2,710,000 in Sewage Works Revenue Bonds to finance new sewer lines and building renovations. Also, the City is in the planning stages of an estimated \$1,160,000 general obligation bond issue to finance two new fire engines. The City anticipates selling these bonds before the end of 2008.

CITY OF WARSAW
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,545,335
Infrastructure	46,609,585
Buildings	4,617,161
Improvements other than buildings	4,064,422
Machinery and equipment	9,426,173
Construction in progress	<u>1,849,637</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 70,112,313</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 239,706
Construction in progress	134,696
Buildings	16,967,604
Improvements other than buildings	29,063,355
Machinery and equipment	<u>1,152,582</u>
Total business-type activities, capital assets not being depreciated	<u>\$ 47,557,943</u>

CITY OF WARSAW
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
2005 Dump trucks	\$ 128,564	\$ 30,916
2006 Dump trucks	173,240	35,742
Cemetery backhoe	5,717	5,840
Fire truck	278,693	116,964
Notes and loans payable	114,609	24,456
Bond service charges	2,824,600	229,400
Bonds payable:		
General obligation bonds:		
2000 Logan street project	<u>515,000</u>	<u>219,525</u>
Total governmental activities debt	<u>\$ 4,040,423</u>	<u>\$ 662,843</u>
Business-type Activities:		
Wastewater Utility		
Capital leases:		
2001 Holding corporation refunding (nonrefunded)	\$ 205,000	\$ 210,125
2005 Holding corporation refunding	9,860,000	863,000
2007 Vactor	261,193	63,456
Revenue bonds:		
2003 Wastewater improvements	<u>9,380,000</u>	<u>1,059,535</u>
Total business-type activities debt:	<u>\$ 19,706,193</u>	<u>\$ 2,196,116</u>

CITY OF WARSAW
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2008, with M. Elaine Call, Clerk-Treasurer; Ernest B. Wiggins, Mayor; and Joseph M. Thallemer, President of the Common Council. Our examination disclosed no material items that warrant comment at this time.